



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, December 8, 2016

2:30 p.m.

Eureka Loft

3839 N. Drinkwater Blvd., 2nd Floor, Scottsdale, AZ 85251

PRESENT:

Mayor W.J. "Jim" Lane
Vice Mayor David Smith
Councilmember Linda Milhaven (arrived at 2:36 p.m.)

STAFF:

Danielle Casey, Economic Development Director
Karen Churchard, Tourism Director
William Hylen, Assistant Senior City Attorney
Rachel Smetana, Mayor's Office
Mark Paratore, Economic Development Specialist

GUESTS:

John Kaatz, Principal, Convention, Sports & Leisure International (CSL)
Kevin Sullivan, Sr. Vice President, Business Attraction, Arizona
Commerce Authority
Mark Hiegel, President & CEO, Scottsdale Area Chamber of Commerce
Sean Limahelu, The Doctors of Physical Therapy (Small Business Certificate
recipient)
Tom Padilla, The Doctors of Physical Therapy (Small Business Certificate
recipient)
Christy DiMaggio, (Small Business Certificate recipient)

CALL TO ORDER/ ROLL CALL

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 2:32 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of Minutes from the September 8, 2016 meeting

COUNCILMAN SMITH MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 8, 2016 MEETING AS PRESENTED. MAYOR LANE SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN MILHAVEN WAS NOT YET PRESENT.

2. Downtown Scottsdale 2.0

Councilwoman Milhaven joined the meeting at 2:37 p.m. John Kaatz of Convention Sports and Leisure (CSL) International, provided an update on the Tourism Related Downtown Economic Feasibility Study. He explained that the process is a multi-phased one. Phase One, the current phase, largely consists of developing the research, which includes outreach to stakeholders, travel writers, business owners, and analyzing case studies from other cities. This information will be used to elevate downtown Scottsdale as a visitor destination for the next generation. The research is designed to identify key areas to focus on to accomplish this goal.

Mr. Kaatz said the Longwoods data reveals information on the average Scottsdale visitor, who they are, how long they stay, and their impact on the economy. The 2013 Five-Year Strategic Plan began the conceptual discussion of investment in downtown. The 2015 CVB Visitor

Industry Analysis, the Public Space Plan, the Parking Plan, the 2016 Existing Conditions Analysis, and the Transportation Plan also inform the research.

Mr. Kaatz stated that hospitality trends show great hotel interest in downtown Scottsdale. Areas of need include good public transportation. In terms of strengths, Scottsdale is seen as a good place for outdoor activities, art enthusiasts, and cultural activities. Credible, return generating investments in downtown should focus on these areas. Based on visitor perceptions, a great nightlife is not considered a Scottsdale strength right now. The phrase "lack of buzz" has been used quite a few times when people talk about the downtown. Visitors today are increasingly looking for unique and authentic experiences. Even though Fashion Square is first class, malls are not unique to Scottsdale. Downtown has unique elements such as the gallery area and Old Town, et cetera, but for a variety of reasons they have lost their energy and must be reinvigorated.

Mr. Kaatz said that occupancy and average daily rate in downtown have performed pretty well. It is worth examining whether a 300-room hotel property with its own convention meeting space would be viable in downtown. He felt it would be a great product to have, given the walkability and density being created in the area. Improvements to downtown must recognize that different areas appeal to different demographics. The gallery district appeals to older and wealthier visitors, for example, while the entertainment district appeals to millennials. For downtown businesses areas to thrive, they must have residents, office workers and visitors. They will not do well with only two of these. Compared to other destination cities, Scottsdale is not overly dense in terms of unique, creative retail, eating and drinking establishments.

Councilwoman Milhaven noted that the study proposes the need for more retail per square mile when downtown has vacant retail as it is. Mr. Kaatz suggested the City adopt toolkits that make it easier for the development community to invest in downtown and that help break down the barriers preventing small creative entrepreneurs from accessing capital.

Mr. Kaatz stated that Scottsdale faces the challenge of having a relatively low measurement of population per retail establishment. Research suggests that downtown would reach a tipping point once 10,000 residents are living in downtown, but that is not expected to happen before 2040, and ways should be found to advance that date by encouraging more residential development there.

Mayor Lane said the empty streets resulting from a lack of downtown residents discourages tourists from staying longer. Mr. Kaatz said legacy retailers and galleries face the challenge of marketing to new generations. The geographic distance that downtown covers is not large, but there are desolate stretches that discourage walking. Holly Street's plan to improve the pedestrian experience is right on target.

Mr. Kaatz reported that downtown office space vacancy has dropped. Downtown lacks a large footprint that could accommodate a corporate headquarters, so the emphasis should be on streamlining zoning and permitting to attract many employers who can utilize smaller spaces. The City could create a toolkit that has elements that provide a positive return on investment while generating new restaurants and retail. Ideas include favorable loans, storefront improvement programs, and encouraging partnerships with various foundations.

Mr. Kaatz said there are a large number of layers to managing and monetizing parking value. Merchants are concerned about customer parking difficulties. The existing downtown trolley

maximizes utility given the constraints of having to provide a visitor asset as well as a workforce asset. Visitors, however, are only interested in transportation that is easy to use and takes them where they want to go. A large population lives within a 15-minute bike ride of downtown Scottsdale, and it could be positioned as a hub for that type of activity.

Scottsdale had 21 events in 2015. The new Special Events Ordinance has solved some challenges but also created unintended consequences in the eyes of some people. Downtown merchants feel that the lines of communication with the City are much stronger than they were a few years ago. The galleries are facing perceived threats to their business model, including the economy, changing demographics and low foot traffic. There is a great deal of agreement on the notion of grand scale events that bring in many visitors to the downtown. A lack of available outdoor event space presents challenges. There are opportunities to create initiatives that raise the brand for the entire destination, for instance an internationally recognized art installation like Chicago's Cloud Gate that creates downtown buzz.

Mayor Lane noted a month over month decline in retail sales over the past year. There is anecdotal evidence that restaurants are dropping off too. On the other hand, Experience Scottsdale and some property owners are noticing an increase in business, and many people have noticed a recognizable change in the activity level downtown on almost every weekend. It is unclear where the City's responsibilities begin and end in terms of attracting the kind of customers that buy from the art galleries. Mr. Kaatz questioned the extent to which the City should have to go to lead gallery owners down the path of sustainability. The City could step back and let events play out naturally, or try to strike the right balance between protecting the galleries and giving them an environment in which they can be successful.

Karen Churchard, Tourism Department Director, reported on an effort to market downtown Scottsdale regionally in a way that complements the efforts of Experience Scottsdale. Mayor Lane stated that marketing can only go so far if the product is not developed fully. Bringing more people downtown to determine that nothing is happening would be worse than not doing anything.

Mr. Katz concluded by saying the consulting team is approaching the stage of exploring ways to incentivize the types of development activity that would address Scottsdale's issues in seven different areas: commercial development, public infrastructure, downtown marketing, downtown services, arts and culture, events and programming, and parking and transportation. Ms. Churchard stated that the study enters the public outreach stage next week.

3. Arizona Commerce Authority (ACA) Annual Update

Kevin Sullivan, Senior Vice President of Business Attraction, reported on the ACA's activities in the last fiscal year, and provided an update on current activities and trends. The business plan for this year called for the creation of 18,000 high wage jobs, and the current trend indicates that this could be a record year. The average wage of the created jobs is around \$52,000. The 308 opportunities currently in the pipeline are the highest in three years. About 35% of the pipeline is California based. There are many manufacturing, IT and software, and business and advanced financial opportunities. Central Arizona continues to be a hot spot for opportunities as well, while southern Arizona is experiencing many more expansions. Several visiting CEO events are scheduled this year to coincide with Barrett-Jackson, Waste Management Open, Cactus League, NASCAR and the Final Four.

Mayor Lane requested the ACA's help in overcoming some of the insurmountable obstacles that have been put in place by the State of Arizona regarding the purchase of state land. Some companies may have recently left Scottsdale for the Salt River Pima/Maricopa Indian Community, attracted by incentives offered by the state. Some very important expansion prospects are being challenged and could move elsewhere unless things change. A reasonable path must exist for the companies that want to stay and grow in Scottsdale. Danielle Casey, Economic Development Director, said this is a huge component of the strategic plan that cannot be fixed without outside help.

4. Small Business Training Series

Mark Paratore, Economic Development Specialist, said the training series was a five-week program that was made available to small businesses and entrepreneurs in Scottsdale. Attendees had the ability to receive one-on-one mentorship and work directly with instructors and presenters at the series. Ms. Casey said the mentorship hours were paid for by donations from SRP and APS.

Mr. Paratore said the series covered five different topics: how to network; marketing on a limited budget; legal structures and issues; business finance and management; and human capital. Several of the series' 82 attendees were invited by Mr. Paratore to share their experiences with the Subcommittee. Future series will be held in the fall and the spring.

5. Economic Development Department Report

Danielle Casey, Economic Development Director, reported that the Fourth Annual Cure Corridor event is being held on December 9, 2016 at the Scottsdale Resort at McCormick Ranch. The event will be streamed live and recorded for anyone who cannot attend in person.

Economic Development partnered with Weebly on an event designed to help people build a website from start to finish in one night. Alan Chambless of Weebly also recently met with visiting tech company executives to discuss his company's decision to locate in Scottsdale.

Economic Development recently hosted a commercial real estate broker event to remind them of all the tools and resources available in Scottsdale. About 90 industry representatives attended, and several follow-up meetings have been held.

A venture capital think tank was recently held in the new 1951 space at SkySong. The ideas that emerged from that event will be incorporated into next year's ED efforts.

6. Open Call to the Public

There were no public comments.

7. Future Agenda Items

None.

ADJOURNMENT

With no further business before the Subcommittee, the meeting adjourned at 3:57 p.m.

Respectfully submitted,
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